WEEKLY ECONOMIC REVIEW

May 18, 2007

Alberta's all-items CPI inflation rate reached 5.5% in April. A 29.1% increase in homeowners' replacement cost accounted for most of the upward pressure on Alberta's consumer prices.

Although the annual rate of inflation in Canada moderated to 2.2% in April, core inflation edged up to 2.5%, the highest in four years. Increases in food prices, water, homeowners' replacement, auto repair and insurance caused increases in prices.

Monthly increases in the U.S. CPI moderated in April, bringing the year-over-year inflation rate down to 2.6%.

Although U.S. housing starts rose 2.5% in April, building permits fell 8.9%, their lowest level since June 1997. Federal Reserve Board chairman Bernanke said that the downturn in the U.S. housing market is unlikely to hurt the economy, but cautioned that the housing market will continue to struggle.

Canadian manufacturing shipments showed a strong gain of 2.8% in March. Shipments fell by 0.3% in Alberta for the first time in five months due to weakness in transportation, machinery and plastics.

New motor vehicle sales in Alberta rose by 6.2 % from the previous month, reaching a record high of 22,488 vehicles.

Cdn Dollar (C¢/US$)

May	18, 2007	91.9 ¢
May	11, 2007	89.8¢
2007-08		89.2¢

WTI Oil US$/bbl

May	17, 2007	$64.86
May	10, 2007	$61.68
2007-08		$63.59

Nymex Natural Gas C$/mcf *

April Contract

May	18, 2007	$9.00
May	11, 2007	$8.49

*Estimate based on Nymex Futures Market Price

Retail sales in Alberta remained strong in March. Year-to-date retail sales are up by 11.2% in Alberta, compared to a 5.3% increase nationally.

Both oil and gas prices rose this week due to high demand for gasoline and a lower-than-expected increase in U.S. natural gas inventories.

The Canadian dollar reached almost 92 cents, the highest in three decades as high core inflation raised expectations that the Bank of Canada will have to hike interest rates to contain inflation.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date[1]
Consumer Price Index (1992=100)	**April**			
Alberta	145.9	1.0%	5.5%	4.8%
Canada	132.8	0.4%	2.2%	1.8%
United States (1982-1984=100)	206.0	0.4%	2.6%	2.5%
Housing Starts (thousands)				
United States	1,528	2.5%	-16.1%	-28.0%
Manufacturing Shipments ($ Millions)	**March**			
Alberta	5,587	-0.3%	5.1%	3.9%
Canada	50,136	2.8%	1.3%	-0.1%
Retail Sales ($ Millions)				
Alberta	5,087	3.6%	12.3%	11.2%
Canada	34,013	1.9%	5.6%	5.3%
New Motor Vehicle Sales				
Alberta	22,488	6.2%	12.5%	7.8%
Canada	137,050	0.1%	-1.1%	0.1%

Source: Statistics Canada

1Year-to-date 2007 compared to the same period in 2006;2 seasonally adjusted at annual rates, Canada Mortgage and House Corporation